

SELECTED PERFORMANCE RESULTS FY06 TO MID FY08

Funds recovered or put to different use	\$17.1 Million
Questioned costs or potential savings	\$10.8 Million
Fraud, waste, and abuse matters issued to management	27
Joint investigations with prosecutors	5
Percentage of audit/review recommendations accepted	67

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OIG Bulletin

Office of Inspector General, Montgomery County

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Inaugural Newsletter

By Chris Giusti, Deputy IG

Ten years ago, the Council and Executive set a new direction by being the first local government in the State to pass legislation that created an Office of Inspector General. In doing so, County leadership demonstrated to all employees, contractors, and residents that promoting integrity and efficiency while combating fraud, waste, and abuse in taxpayer-funded programs was a priority.

In the broadest sense, the County's OIG has two principal roles - 1) identify fraud, waste, and abuse and recommend actions to address it on a case-by-case basis and systematically, and 2) report findings and recommendations to the Council, Executive, leaders of other County-funded agencies, and the public.

As the OIG begins its eleventh year in a County government that has grown to an annual operating budget of \$4 billion with a multi-billion dollar capital budget, we look forward to providing independent, objective, and professional work products that contribute to the effectiveness, efficiency and integrity of County operations and programs. In doing so, we will help reinforce the County's clear values of accountability and transparency.

We look forward to working with you and welcome recommendations for future audits and reviews.

Fraud Hotline a Success: Contract Renewed

By Perry Lusk, Analyst

The OIG Fraud Hotline celebrated a one year anniversary last month, with the first year pilot deemed a success. The Hotline uses an independent third-party contractor, The Network, Inc., to confidentially take calls from County government employees and contractors.

Since implementation, sixty-two reports have been received through the Hotline. Fraud, Policy Issues, and Theft of Time represented about 60% of the issues reported. About half of the reports received were anonymous and 20% were previously reported to management according to the callers.

The Hotline is available 24-hours a day, seven days a week, and has the capacity to receive complaints in more than 150 languages. The benefit of expanding the OIG Hotline to other County-funded agencies will be explored with the Council and agency leaders in 2008.

Report Fraud, Waste, or Abuse

Contact the Fraud Hotline
(800) 971-6059

Web access: www.tnwinc.com/webreport
Email: reportline@tnwinc.com

Fiscal Year 2008 Highlights

By Tom Dagley, Inspector General

Mid-year Highlights

Looking back

- ◆ Following a bid protest and a joint OIG/State investigation, a hearing officer reversed a \$500,000 contract award to replace lights at a County athletic complex. Findings included the use of false financial data by the awardee. A decision to rebid the work is pending.
- ◆ An audit of selected Capital Improvements Program projects involving \$11 million in Clarksburg development district funding recommended improvements in the County's administration of related road construction projects. Council action on this district is pending.
- ◆ A presentation to 18 mainland Chinese officials provided insight into the structure, policies, and responsibilities of an independent OIG at the local government level.
- ◆ Fraud Hotline complaints led to reviews at Health and Human Services that resulted in improvements to internal controls regarding the management of gift cards and the approval of contractor invoices.

Looking ahead

- ◆ Planning is underway to review oversight practices and internal controls for selected MCG financial reporting and accounts payable. Field work will begin in February 2008.
- ◆ A follow-up review of MCG overtime compensation will also begin in February, including an assessment of corrective actions to address internal control deficiencies reported to the Council and Executive April 30, 2007.

Office of Inspector General

51 Monroe Street, Suite 802
Rockville, Maryland 20850

Phone: 240-777-8240
Fax: 240-777-8254
Email: IG@montgomerycountymd.gov



Tom Dagley
Inspector General

We are on the Web at:

<http://www.montgomerycountymd.gov/ig>

Preventing Fraud, Waste and Abuse

Office of Inspector General
OIG Bulletin
51 Monroe Street, Suite 802
Rockville, Maryland 20850
(240) 777-8240

OIG Staff

Tom Dagley, Inspector General
Chris Giusti, Deputy Inspector General
Charles Becker, Asst. Inspector General
Carol Monroe, Asst. Inspector General
Dee Gonzalez, OM/Graphic Designer
P.J. Lusk, Analyst

The **OIG Bulletin** will be a quarterly newsletter prepared as part of OIG prevention and education efforts. This information is supplied as an informative tool only.

If you would like to provide feedback, please contact us at the address above or via email at:

IG@montgomerycountymd.gov

Impact of Fraud on Organizations: A Report by the Association of Certified Fraud Examiners

In 2006, the Association of Certified Fraud Examiners (ACFE) released a survey detailing the causes and effects of occupational fraud on the workplace. This report stated that occupational fraud and abuse impose enormous costs on organizations.

The ACFE surveyed 1,134 CFEs who were asked to answer a detailed set of questions about the largest case of occupational fraud that he/she had investigated between January 2004 and January 2006.

Participants in the study estimated U.S. organizations lose 5% of their annual revenues to fraud. Applied to the estimated 2006 U.S. Gross Domestic Product, the ACFE reported this 5% figure would translate to approximately \$652 billion in fraud losses. In 2004, participants in a similar survey estimated 6% of revenue was lost to fraud.

The median loss per case caused by the occupational frauds in this study was \$159,000. Nearly one-quarter of the cases caused at least \$1 million in losses.

Courtesy of the 2006 Report to the Nation on Occupational Fraud and Abuse. Copyright 2006 by the Association of Certified Fraud Examiners, Inc.

Fraud Detection The main sources of fraud detection:

1. Tips from employees, customers, and vendors
2. By accident
3. Internal Audit
4. Internal Controls
5. External Audits
6. Notified by Police

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